

CITIZENS MEDICAL CENTER  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
FOR THE YEARS ENDED  
MARCH 31, 2007, 2006, AND 2005

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 10/10/07

HOSPITAL SERVICE DISTRICT NO. 1  
OF THE PARISH OF CALDWELL, STATE OF LOUISIANA  
d/b/a CITIZENS MEDICAL CENTER  
HOSPITAL ENTERPRISE FUND  
YEARS ENDED 2007, 2006, AND 2005

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**Hospital Service District No. 1 of Caldwell Parish, State of Louisiana  
d/b/a Citizens Medical Center**

**Management's Discussion and Analysis**

This section of the annual financial report for Hospital Service District No. 1 of Caldwell Parish, State of Louisiana d/b/a Citizens Medical Center (the "Medical Center") provides background information and management's analysis of the Medical Center's financial performance for the fiscal years that ended March 31, 2007, 2006, and 2005. Please read it in conjunction with the financial statements beginning on page 3 and notes to the financial statements beginning on page 7 in this report.

**Financial Highlights**

- ❖ The Medical Center's total assets increased by \$2,069,000 and \$1,938,000, during fiscal years 2007 and 2006, respectively. In comparison total assets increased for fiscal year 2005 by \$823,000. In 2007 \$815,124 was invested in certificates of deposit. In 2006, \$2,000,000 was invested in certificates of deposits.
- ❖ During fiscal year 2007 the Medical Center's net patient service revenue increased \$114,000 over fiscal year 2006. During fiscal years 2006 and 2005, the Medical Center experienced increases in net patient service revenue of \$164,000 and \$1,877,000, respectively. A decrease of \$662,000 occurred in 2004. The Medical Center's total expenses increased by \$43,000 for fiscal year 2007 due mainly to the increase in depreciation expense for the year. The Medical Center's expenses decreased by \$160,000 in fiscal year 2006 or 2.2% and increased by \$75,000 and \$140,000 in fiscal years 2005 and 2004 respectively, or 1.0% and 2.0% respectively. The Medical Center experienced a gain from operations of \$2,018,000 in fiscal year 2007 compared to previous years gains (losses) of \$1,516,000 and \$775,000 in fiscal years 2006 and 2005 respectively. A significant factor relevant to the change is the increase in inpatient volume, rural health clinic volume, and receipt of Medicare volume adjustments of \$816,000 in fiscal year 2006, \$808,000 in fiscal year 2005 and \$672,000 in fiscal year 2004.
- ❖ The Medical Center's sales tax revenue increased by \$17,000, \$334,000 and \$17,000 for fiscal years 2007, 2006 and 2005 respectively. Two new stores opened in Columbia in 2006 and highway construction has been taking place throughout Caldwell Parish in 2006 and 2007.
- ❖ Other operating revenue for fiscal year 2007 increased by \$431,000. Other operating revenue for fiscal years 2006 and 2005 increased by \$417,000 and \$70,000 respectively partially due to refunds of \$61,000 in fiscal year 2006 and \$54,000 in fiscal year 2005 from the Rural Hospital Coalition. Included in other operating revenue is grant income which increased in fiscal year 2007 by \$483,000. A total of \$576,000 was received in grant monies of which \$537,000 was for the roof project. Interest income from checking accounts and certificates of deposit for fiscal year 2007 increased by \$96,000 in fiscal year 2007 due to increased interest rates on newly placed monies and renegotiating higher interest rates on maturing certificates of deposit. Interest income increased by \$42,500 and \$8,600 for fiscal years 2006 and 2005 respectively.
- ❖ No new leases were entered into in fiscal year 2007 as the Medical Center has purchased needed equipment from operating funds rather than leasing. In fiscal year 2006 the Medical Center entered into capital leases totaling \$299,000 Cat Scan, \$239,000 for the PACS system and \$9,000 for a copier. The Medical Center recorded \$92,000 in equipment through lease purchase agreements for fiscal year 2005 compared to \$706,000 recorded in lease purchase agreements for fiscal year 2004. Capital leases were referenced by Note 8 of the financial

**Hospital Service District No. 1 of Caldwell Parish, State of Louisiana  
d/b/a Citizens Medical Center**

**Management's Discussion and Analysis**

**Financial Highlights (Continued)**

statements; a prior period adjustment was made to record leases that had not previously been capitalized until fiscal year 2004.

**Required Financial Statements**

The financial statements contained in this report are presented using Governmental Accounting Standards Board (GASB) accounting principles. These financial statements provide overall information about the Medical Center's financial activities on both short-term and long-term basis. The balance sheets present information about its assets (resources) and liabilities (the amounts obligated to its creditors). The statements of revenues, expenses, and changes in net assets present information about the current and prior years' activities in revenues and expenses. This statement also provides useful information for determining whether the Medical Center's patient service revenue and other revenue sources were sufficient to allow the Medical Center to recover all of its costs. The final required financial statement is the statement of cash flows which provides information about the Medical Center's cash from operations, investing, and financing activities. In addition, this statement provides useful information to answer questions such as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

**Financial Analysis of the Hospital**

The balance sheets and the statements of revenue, expenses, and changes in net assets report information about the Medical Center's activities. These two statements report the net assets of the Medical Center and changes in them. Increases or decreases in the Medical Center's net assets are one of a number of indicators of whether its overall financial health is improving or deteriorating. However, other non-financial factors such as changes in the health care industry, changes in Medicare and Medicaid regulations, and changes in managed care contracting should also be considered.

**Hospital Service District No. 1 of Caldwell Parish, State of Louisiana  
d/b/a Citizens Medical Center**

**Management's Discussion and Analysis**

**Net Assets**

A summary of the Medical Center's Balance Sheets are presented in the table below:

**TABLE 1  
Condensed Balance Sheets  
(in thousands)**

	<b>March 31,</b>			
	<u><b>2007</b></u>	<u><b>2006</b></u>	<u><b>2005</b></u>	<u><b>2004</b></u>
Total current assets	\$ 6,175	\$ 5,746	\$ 4,251	\$ 3,322
Capital assets - net	3,208	2,903	2,444	2,614
Other assets, including assets whose use is limited	<u>1,383</u>	<u>48</u>	<u>64</u>	<u>-0-</u>
<b>Total Assets</b>	<b>\$ <u>10,766</u></b>	<b>\$ <u>8,697</u></b>	<b>\$ <u>6,759</u></b>	<b>\$ <u>5,936</u></b>
Total current liabilities	\$ 1,271	\$ 1,204	\$ 1,275	\$ 1,150
Long-term debt	<u>330</u>	<u>477</u>	<u>49</u>	<u>141</u>
<b>Total Liabilities</b>	<b><u>1,601</u></b>	<b><u>1,681</u></b>	<b><u>1,324</u></b>	<b><u>1,291</u></b>
Invested in capital assets, net of related debt	2,748	2,283	2,228	2,321
Restricted net assets	146	-0-	-0-	-0-
Unrestricted net assets	<u>6,271</u>	<u>4,733</u>	<u>3,207</u>	<u>2,324</u>
<b>Total Liabilities and Net Assets</b>	<b>\$ <u>10,766</u></b>	<b>\$ <u>8,697</u></b>	<b>\$ <u>6,759</u></b>	<b>\$ <u>5,936</u></b>

**Hospital Service District No. 1 of Caldwell Parish, State of Louisiana  
d/b/a Citizens Medical Center**

**Management's Discussion and Analysis**

**Summary of Revenue, Expenses, and Changes in Net Assets**

The following table represents the Medical Center's revenue, expenses, and changes in net assets for the fiscal years ended March 31:

TABLE 2  
Condensed Statements of Revenue, Expenses, and Changes in Net Assets  
(in thousands)

	March 31,			
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Net patient service revenue	\$ 7,380	\$ 7,266	\$ 7,102	\$ 5,225
Other revenue, net	<u>1,768</u>	<u>1,337</u>	<u>920</u>	<u>850</u>
Total Operating Revenue	<u>9,148</u>	<u>8,603</u>	<u>8,022</u>	<u>6,075</u>
Salaries and benefits	3,766	3,738	3,889	4,060
Other expenses	2,963	3,024	3,004	2,740
Depreciation and amortization	<u>401</u>	<u>325</u>	<u>354</u>	<u>372</u>
Total Operating Expenses	<u>7,130</u>	<u>7,087</u>	<u>7,247</u>	<u>7,172</u>
Operating income (loss)	2,018	1,516	775	(1,097)
Nonoperating income	<u>131</u>	<u>65</u>	<u>15</u>	<u>29</u>
Excess of revenue over expenses	2,149	1,581	790	(1,068)
Prior period adjustment	-0-	-0-	-0-	(25)
Net assets - beginning of year	<u>7,016</u>	<u>5,435</u>	<u>4,645</u>	<u>5,738</u>
Net Assets - End of Year	\$ <u>9,165</u>	\$ <u>7,016</u>	\$ <u>5,435</u>	\$ <u>4,645</u>

**Sources of Revenue**

**Net Patient Service Revenue**

During fiscal year 2007, the Medical Center derived the majority of its total revenue from patient service revenue. Patient service revenue includes revenue from the Medicare and Medicaid programs and patients, or patients with other third-party coverage, who receive care in the Medical Center's facilities. Reimbursement for the Medicare and Medicaid programs and other third-party payers is based upon established contracts. The difference between the covered charges and the established contract is recognized as a contractual allowance. Total net patient service revenue increased by approximately \$114,000 or 1.6% in FY 2007, \$164,000 or 2.3% in FY 2006, \$1,877,000 or 35.9% in FY 2005 and decreased by \$662,000 in FY 2004 or 11.3%.

**Hospital Service District No. 1 of Caldwell Parish, State of Louisiana  
d/b/a Citizens Medical Center**

**Management's Discussion and Analysis**

**Net Patient Service Revenue (Continued)**

Increases in patient volume, outpatient charges, and revision of charge master are all contributing factors to the increases in revenue. Table 3 presents the relative percentages of gross charges billed for patient services by payor for the fiscal years ended March 31:

TABLE 3  
Payor Mix by Percentage

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Medicare	52%	52%	55%	58%
Medicaid	19%	21%	18%	18%
Commercial insurance	19%	18%	17%	17%
Self-pay	<u>10%</u>	<u>9%</u>	<u>10%</u>	<u>7%</u>
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

**Other Revenue**

Other revenue (Table 4) includes cafeteria sales, rental income, grant income, and other miscellaneous services.

Table 4  
Other Revenue  
(in thousands)

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Cafeteria sales	\$ 34	\$ 36	\$ 41	\$ 38
Rentals	29	22	17	40
Sales tax	1,121	1,104	770	753
Grants	576	92	28	11
Miscellaneous	<u>9</u>	<u>83</u>	<u>64</u>	<u>7</u>
Total	\$ <u>1,769</u>	\$ <u>1,337</u>	\$ <u>920</u>	\$ <u>849</u>

**Grant Income**

Grant income consists of grant monies received for the roof project and several other grants received for upgrading isolation units, communications, etc.

**Miscellaneous Income**

Dues rebates from the Rural Hospital Coalition of \$61,000 in 2006 and \$54,000 in 2005 are included in Miscellaneous Income.

**Hospital Service District No. 1 of Caldwell Parish, State of Louisiana  
d/b/a Citizens Medical Center**

**Management's Discussion and Analysis**

**Investment Income**

The Medical Center earned \$169,000, \$73,000 and \$30,000 in interest income during fiscal years 2007, 2006 and 2005. The increase is attributable to an additional \$815,000 invested in certificates of deposit for fiscal year 2007 and \$2,000,000 and \$509,000 invested in certificates of deposit during the fiscal years 2006 and 2005, respectively. Additionally, interest rates on certificates of deposit increased during fiscal year 2007.

**Operating and Financial Performance**

**Patient Revenue**

Table 5 below depicts Medicare and Medicaid patient revenue for the fiscal years ended March 31:

TABLE 5  
Patient Revenue  
(in thousands)

	Years ended March 31			
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Medicare and Medicaid gross patient charges	\$ 9,322	\$ 9,424	\$ 9,286	\$ 8,803
Contractual adjustments	<u>4,403</u>	<u>4,163</u>	<u>4,167</u>	<u>4,373</u>
Net Medicare and Medicaid revenue without Medicaid UCC	\$ <u>4,919</u>	\$ <u>5,261</u>	\$ <u>5,119</u>	\$ <u>4,430</u>
Percent of total gross charges	<u>71%</u>	<u>73%</u>	<u>73%</u>	<u>79%</u>
Percent of total net revenue	<u>67%</u>	<u>72%</u>	<u>72%</u>	<u>84%</u>

The main source of revenue for the Medical Center, gross Medicare and Medicaid patient charges decreased \$102,000 or approximately 1.1% in fiscal year 2007 due to the overall decrease in days of care from fiscal year 2006. Fiscal year 2006 patient charges increased \$138,000 or approximately 1.5%. Contractual adjustments for fiscal year 2007 increased by \$240,000 due to changes in Medicare and Medicaid payment methodology which had previously resulted in decreased contractual adjustments for fiscal year 2005 of \$206,000 or 4.7% over fiscal year 2004 amounts. Therefore, the net patient revenue for Medicare and Medicaid increased \$142,000 over fiscal year 2005 amounts.



**Hospital Service District No. 1 of Caldwell Parish, State of Louisiana  
d/b/a Citizens Medical Center**

**Management's Discussion and Analysis**

**Medicare and Medicaid Patient Statistics**

Table 6 is a comparison of the Medical Center's Medicare and Medicaid admissions, discharges, patient days, and lengths of stay for the fiscal years ended March 31:

**TABLE 6  
Medicare and Medicaid Patient Statistics**

	<u><b>2007</b></u>	<u><b>2006</b></u>	<u><b>2005</b></u>	<u><b>2004</b></u>
<b>Admissions:</b>				
Medicare adult and pediatric	449	447	472	395
Medicaid adult and pediatric	127	137	138	106
Medicare swing bed	4	11	42	53
<b>Discharges:</b>				
Adult and pediatric	726	757	783	628
Medicare (included in A & P)	448	451	511	447
Medicaid (included in A & P)	125	135	140	98
Medicare swing bed	4	12	44	51
<b>Patient days:</b>				
Adult and pediatric	3,388	3,414	3,813	3,488
Medicare (included in A & P)	2,633	2,684	2,828	2,777
Medicaid (included in A & P)	281	327	412	279
Swing bed	85	293	869	687
<b>Medicare average length of stay</b>	<u>5.88</u>	<u>5.95</u>	<u>5.53</u>	<u>6.21</u>
<b>Medicaid average length of stay</b>	<u>2.25</u>	<u>2.42</u>	<u>2.94</u>	<u>2.85</u>

Medicare and Medicaid admissions and discharges decreased slightly in FY 2007 as well as FY 2006. Swing bed admissions continued a slight decrease from the previous year but overall days of care for swing bed decreased by 208 days for fiscal year 2007.

During fiscal year 2005, the Medical Center had a 21.8% increase in Medicare and Medicaid admissions, excluding swing bed. During fiscal year 2004, the Hospital had two physicians that did not renew contracts. This event is reflected in the 23.5% decrease of both Medicare (acute) and Medicaid admissions for the fiscal year 2004. Swing bed status had increased utilization in fiscal year 2004 as compared to fiscal year 2003; however, the change in swing bed payment methodology negatively effected overall swing bed revenues.

**Expenses**

Salaries and benefits from fiscal year 2004 through fiscal year 2007 have remained at approximately \$4,000,000. Health insurance costs have continued to decrease for both fiscal year 2007 and 2006. Fiscal year 2007 saw decreases in most areas of expense

**Hospital Service District No. 1 of Caldwell Parish, State of Louisiana  
d/b/a Citizens Medical Center**

**Management's Discussion and Analysis**

**Expenses (Continued)**

due to the Medical Center continuing to evaluate expenses and eliminating unnecessary costs. Insurance cost for fiscal year 2007 increased \$3,000 due to the normal yearly incremental insurance premium increases. Depreciation expense increased in fiscal year 2007 due to the additional equipment purchased during the year.

Supplies and drugs decreased slightly in fiscal year 2007. Supplies and drugs increased slightly in 2006. The increase in supplies and drugs during fiscal year 2005 was due to the rising cost of pharmaceuticals and other medical supplies needed for patient care and the increase in patient volume. The provision for bad debts increased \$230,000 in fiscal year 2007 as overall accounts receivable increased thus causing a greater percentage of the accounts to be considered uncollectible. In fiscal year 2006 the provision for bad debts decreased by \$437,000. The provision for bad debts steadily increased from fiscal year 2003 to 2005, with largest increase occurring in fiscal year 2005. The increase in 2005 was \$359,000, or 42.1%. The increase was attributable to the increase in self-pay patients as noted in the patient percentage table on page v.

**Accounts Receivable**

Table 7 below summarizes Accounts Receivable for the fiscal years ended March 31:

TABLE 7  
Accounts Receivable  
(in thousands)

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Patient accounts receivable	\$ 8,353	\$ 6,784	\$ 6,898	\$ 5,511
Other accounts receivable	26	21	7	18
Allowance for uncollectibles	<u>(6,496)</u>	<u>(5,498)</u>	<u>(4,786)</u>	<u>(3,739)</u>
Net accounts receivable	\$ <u>1,883</u>	\$ <u>1,307</u>	\$ <u>2,119</u>	\$ <u>1,790</u>

Patient accounts receivable increased in fiscal year 2007 as patients were slower to pay their accounts. Patient volume remained roughly the same for fiscal year 2007 as compared to fiscal year 2006. Patient accounts receivable decreased as patient volume has decreased in fiscal year 2006. The increase in patient accounts receivable for fiscal year 2005 is from the increase in patient volume.

**Hospital Service District No. 1 of Caldwell Parish, State of Louisiana  
d/b/a Citizens Medical Center**

**Management's Discussion and Analysis**

**Capital Assets**

During 2007 fiscal year, the Medical Center purchased \$242,000 in equipment, \$299,000 in capital leases, and \$514,000 in construction in progress, which included the CT room and equipment and the roof project:

**TABLE 8  
Capital Assets  
(in thousands)**

**Capital Assets/Additions**

	Year Ended March 31, <u>2007</u>
Building & land	\$ 44
Equipment	198
Capital leases	299
Construction in progress	<u>514</u>
Total capital additions	\$ <u>1,055</u>

**Long-term Debt**

The Medical Center did not acquire any long term debt in fiscal year 2007. At March 31, 2006, the Medical Center had long-term debt of \$477,000, consisting of various capital leases. The largest leases are for the CAT scan equipment and the PACS. At fiscal year end 2005, the Medical Center had \$49,000 in long-term debt. From 2003 to 2004 the long-term debt increased by \$151,000. The overall debt decreased from \$272,000 in fiscal year 2002, to \$143,000 in fiscal year 2003, a decrease of \$129,000.

**Contacting the Hospital's Financial Manager**

This financial report is designed to provide our citizens, customers and creditors with a general overview of the Medical Center's finances and to demonstrate the Medical Center's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Medical Center's Administration.



## **LESTER, MILLER & WELLS**

A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

3600 Bayou Rapides Rd. - Alexandria, LA 71303

Members:

American Institute of CPA's

Society of Louisiana CPA's

Bobby G. Lester, CPA

John S. Wells, CPA

Robert G. Miller, CPA

Paul A. Delaney, CPA

Mary L. Carroll, CPA

Brenda J. Lloyd, CPA

Daniel P. Brown, CPA

Mailing Address: Post Office Box 8758 - Alexandria, Louisiana 71306-1758 - Telephone (318) 487-1450 - Facsimile (318) 445-1184

### Independent Auditors' Report

To the Board of Commissioners  
Hospital Service District No. 1  
Parish of Caldwell, State of Louisiana  
Columbia, Louisiana

We have audited the accompanying financial statements of Hospital Service District No. 1, Parish of Caldwell (the Hospital), a component unit of the Caldwell Parish Police Jury, as of and for the years ended March 31, 2007, 2006, and 2005, as listed in the foregoing table of contents. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hospital Service District No. 1, Parish of Caldwell, as of March 31, 2007, 2006, and 2005, and the respective changes in financial position and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 19, 2007, on our consideration of the Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audits were performed for the purpose of forming an opinion on the financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements.

Board of Commissioners  
Hospital Service District No. 1  
Parish of Caldwell, State of Louisiana  
Columbia, Louisiana  
Page Two

Management's discussion and analysis on pages "i" through "ix" is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

*Lester, Miller & Wells*

Certified Public Accountants  
September 19, 2007



HOSPITAL SERVICE DISTRICT NO. 1  
OF THE PARISH OF CALDWELL, STATE OF LOUISIANA  
d/b/a CITIZENS MEDICAL CENTER  
HOSPITAL ENTERPRISE FUND  
BALANCE SHEETS  
MARCH 31,

	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b><u>ASSETS</u></b>			
Current			
Cash and cash equivalents (Notes 2 & 3)	\$ 1,085,107	\$ 1,055,792	\$ 791,259
Short-term investments	2,688,938	2,998,460	915,429
Accounts receivable, net of allowances for uncollectibles (Note 4)	1,882,766	1,307,215	2,119,012
Estimated third-party payor settlements	171,176	63,351	90,282
Inventory	263,521	238,655	248,380
Prepays	<u>83,641</u>	<u>82,428</u>	<u>86,783</u>
Total Current Assets	<u>6,175,149</u>	<u>5,745,901</u>	<u>4,251,145</u>
Assets limited as to use (Note 6)	145,879	-0-	-0-
Property, plant and equipment, net (Note 5)	3,207,616	2,903,070	2,443,911
Long-term investments	1,205,163	-0-	-0-
Other	<u>32,465</u>	<u>47,975</u>	<u>63,485</u>
Total Assets	<u>\$ 10,766,272</u>	<u>\$ 8,696,946</u>	<u>\$ 6,758,541</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>			
Current			
Accounts payable	\$ 196,527	\$ 175,983	\$ 272,008
Accrued expenses	305,357	277,393	274,137
Deferred revenue	184,984	211,078	200,247
Estimated third-party payor settlements	454,858	395,984	360,815
Current portion of lease obligations and long-term debt (Note 8)	<u>129,634</u>	<u>143,227</u>	<u>167,366</u>
Total Current Liabilities	<u>1,271,360</u>	<u>1,203,665</u>	<u>1,274,573</u>
Long-term			
Capital lease obligations and notes payable (Note 8)	<u>330,476</u>	<u>477,165</u>	<u>49,004</u>
Total Liabilities	<u>1,601,836</u>	<u>1,680,830</u>	<u>1,323,577</u>
Net Assets			
Invested in capital assets, net of related debt	2,747,506	2,282,678	2,227,541
Restricted (Note 6)	145,879	-0-	-0-
Unrestricted	<u>6,271,051</u>	<u>4,733,438</u>	<u>3,207,423</u>
Total Net Assets	<u>9,164,436</u>	<u>7,016,116</u>	<u>5,434,964</u>
Total Liabilities and Net Assets	<u>\$ 10,766,272</u>	<u>\$ 8,696,946</u>	<u>\$ 6,758,541</u>

See accompanying notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 1  
OF THE PARISH OF CALDWELL, STATE OF LOUISIANA  
d/b/a CITIZENS MEDICAL CENTER  
HOSPITAL ENTERPRISE FUND  
STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS  
YEARS ENDED MARCH 31,

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Revenue			
Net patient service revenue (Note 9)	\$ 7,380,337	\$ 7,265,591	\$ 7,101,642
Sales tax	1,120,546	1,103,859	770,172
Grant income	575,841	92,423	28,321
Other operating revenue	<u>71,396</u>	<u>141,102</u>	<u>122,175</u>
Total Revenue	<u>9,148,120</u>	<u>8,602,975</u>	<u>8,022,310</u>
Expenses			
Salaries	3,323,599	3,252,389	3,207,930
Benefits and payroll taxes	442,772	485,145	681,104
Supplies and drugs	839,935	852,831	829,583
Professional fees	1,026,265	1,045,584	1,054,983
Other expenses	888,416	920,029	873,435
Insurance	208,621	205,434	248,014
Depreciation and amortization	<u>400,822</u>	<u>325,292</u>	<u>353,819</u>
Total Expenses	<u>7,130,430</u>	<u>7,086,704</u>	<u>7,246,868</u>
Operating Income (Loss)	<u>2,017,690</u>	<u>1,516,271</u>	<u>775,442</u>
Nonoperating Income (Loss)			
Interest income	168,762	72,781	30,275
Interest expense	(35,883)	(15,900)	(20,135)
Gain (loss) on disposal of asset	<u>(2,249)</u>	<u>8,000</u>	<u>4,399</u>
Excess of Revenue (Expenses)	2,148,320	1,581,152	789,981
Beginning Net Assets	<u>7,016,116</u>	<u>5,434,964</u>	<u>4,644,983</u>
Ending Net Assets	\$ <u>9,164,436</u>	\$ <u>7,016,116</u>	\$ <u>5,434,964</u>

See accompanying notes to financial statements.

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HOSPITAL ENTERPRISE FUND  
STATEMENTS OF CASH FLOWS  
YEARS ENDED MARCH 31,

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Cash flows from operating activities:			
Cash received from patients and third-party payors	\$ 6,729,741	\$ 8,150,319	\$ 6,827,974
Other receipts from operations	1,767,783	1,337,384	920,668
Cash payments for other operating expenses	(2,968,772)	(3,105,823)	(3,028,481)
Cash payments to employees and for employee-related costs	<u>(3,738,407)</u>	<u>(3,734,278)</u>	<u>(3,845,306)</u>
Net cash provided (used) by operating activities	<u>1,790,345</u>	<u>2,647,602</u>	<u>874,855</u>
Cash flows from investing activities:			
Interest income	168,762	72,781	30,275
Cash invested in assets whose use is limited	(65,124)	-0-	(77,548)
Cash invested in certificates of deposit	<u>(895,641)</u>	<u>(2,083,031)</u>	<u>(509,273)</u>
Net cash provided (used) by investing activities	<u>(792,003)</u>	<u>(2,010,250)</u>	<u>(556,546)</u>
Cash flows from capital and related financing activities:			
Principal payments on long-term debt	(160,282)	(143,227)	(169,196)
Interest expense	(35,883)	(15,900)	(20,135)
Assets whose use is limited	(80,755)	-0-	-0-
Proceeds from sale of capital assets	(2,249)	8,000	26,029
Acquisition of capital assets	<u>(689,858)</u>	<u>(221,692)</u>	<u>(98,894)</u>
Net cash provided (used) by capital and related financing activities	<u>(969,027)</u>	<u>(372,819)</u>	<u>(262,196)</u>
Net increase (decrease) in cash and cash equivalents	29,315	264,533	56,113
Beginning cash and cash equivalents	<u>1,055,792</u>	<u>791,259</u>	<u>735,146</u>
Ending cash and cash equivalents	\$ <u>1,085,107</u>	\$ <u>1,055,792</u>	\$ <u>791,259</u>

See accompanying notes to financial statements.



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YEARS ENDED MARCH 31,

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Supplemental disclosures of cash flow information:			
Cash paid during the period for interest	\$ <u>35,883</u>	\$ <u>15,900</u>	\$ <u>20,135</u>
Equipment acquired through capital lease agreement	\$ <u>-0-</u>	\$ <u>547,249</u>	\$ <u>92,037</u>
Reconciliation of income from operations to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 2,017,690	\$ 1,516,271	\$ 775,442
Adjustments to reconcile revenue in excess of expenses to net cash provided by operating activities:			
Depreciation and amortization	400,822	325,292	353,819
Change in current assets (increase) decrease			
Patient accounts receivable, net	(575,551)	811,797	(329,286)
Estimated third-party payor settlements	(107,825)	26,931	(14,496)
Inventory	(24,866)	9,725	(18,261)
Prepays	(1,213)	4,355	(1,785)
Change in current liabilities (increase) decrease			
Accounts payable	20,544	(96,025)	(4,420)
Accrued expenses	27,964	3,256	43,728
Deferred revenue	(26,094)	10,831	137,362
Estimated third-party payor settlements	<u>58,874</u>	<u>35,169</u>	<u>(67,248)</u>
Net cash provided (used) by operating activities	\$ <u>1,790,345</u>	\$ <u>2,647,602</u>	\$ <u>874,855</u>

See accompanying notes to financial statements.

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**NOTE 1 - ORGANIZATION AND OPERATIONS**

**Legal Organization**

Caldwell Parish Hospital Service District No. 1 (the "Hospital" or the "District") was created by an ordinance of the Caldwell Parish Police Jury. The District is comprised of and embraces the territory contained within the Parish of Caldwell, State of Louisiana, as constituted as of the date of the ordinance.

The Hospital is a political subdivision of the Caldwell Parish Police Jury whose jurors are elected officials. The Hospital's commissioners are appointed by the Caldwell Parish Police Jury. As the governing authority of the Parish, for reporting purposes, the Caldwell Parish Police Jury is the financial reporting entity for the Hospital. Accordingly, the Hospital was determined to be a component unit of the Caldwell Parish Police Jury based on Statement No. 14 of the National Committee on Governmental Accounting. The accompanying financial statements present information only on the funds maintained by the governmental services provided by that governmental unit or the other governmental units that comprise the financial reporting entity.

**Nature of Business**

The District provides outpatient, emergency, rural health clinic, skilled nursing (through "swing-beds"), and acute inpatient services.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Enterprise Fund**

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

**Basis of Accounting**

The Hospital uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic measurement focus. Based on Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting*, as amended, the Hospital has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements. Such accounting and reporting procedures conform to the requirements of Louisiana Revised Statute 24:514 and to the guide set forth in the Louisiana Governmental Audit Guide, and to the AICPA, Audit and Accounting Guide - Health Care Organizations, published by the American Institute of Certified Public Accountants, and standards set by the Governmental Accounting Standards Board (GASB), which is the accepted standard setting body for establishing governmental accounting and financial reporting principles in the United States of America.

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Cash and Cash Equivalents**

Cash and cash equivalents consist primarily of deposits in checking and money market accounts and certificates of deposit with original maturities of 90 days or less. Certificates of deposit with original maturities over 90 days are classified as short-term investments. Cash and cash equivalents and short-term investments are stated at cost, which approximates market value. The caption "cash and cash equivalents" does not include amounts whose use is limited or temporary cash investments.

**Credit Risk**

The District provides medical care primarily to Caldwell Parish residents and grants credit to patients substantially all of whom are local residents.

The District's estimate of collectibility is based on evaluation of historical collections compared to gross charges and an analysis of aged accounts receivable to establish an allowance for uncollectible accounts.

**Significant Concentration of Economic Dependence**

The District has an economic dependence on a small number of staff physicians. These physicians admit over 90% of the Hospital's patients. The Hospital also has an economic dependence on Medicare and Medicaid as sources of payments as shown in the table in Note 9. Changes in federal or state legislation or interpretations of rules have a significant impact on the Hospital.

**Net Patient Service Revenues**

The District has entered into agreements with third-party payors, including government programs, health insurance companies, and managed care health plans, under which the District is paid based upon established charges, the cost of providing services, predetermined rates per diagnosis, fixed per diem rates, or discounts from established charges.

Revenues are recorded at estimated amounts due from patients and third-party payors for the Hospital services provided. Settlements under reimbursement agreements with third-party payors are estimated and recorded in the period the related services are rendered and are adjusted in future periods as final settlements are determined.

**Inventory**

Inventories are stated at the lower of cost determined by the first-in, first-out method, or market basis.

**Income Taxes**

The entity is a political subdivision and exempt from taxation.

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Property, Plant, and Equipment**

Property, plant, and equipment is recorded at cost for purchased assets or at fair market value on the date of any donation. The Hospital uses straight-line method of determining depreciation for financial reporting and third-party reimbursement. The following estimated useful lives are generally used.

Buildings and Improvements	5 to 40 years
Machinery and Equipment	3 to 20 years
Furniture and Fixtures	3 to 20 years

Expenditures for additions, major renewals and betterments are capitalized and expenditures for maintenance and repairs are charged to operations as incurred.

The cost of assets retired or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts in the year of disposal. Gains or losses resulting from property disposals are currently credited or charged to nonoperating revenue.

**Net Assets**

Net assets consist of net assets invested in capital assets (property and equipment), net of related debt; restricted net assets; and unrestricted net assets. Net assets invested in capital assets, net of related debt consist of capital assets net of accumulated depreciation and outstanding balance of any related debt that is attributable to the acquisition of the capital assets. Restricted net assets are those assets that are externally restricted by creditors, grantors, contributors, or laws and regulations, or those restricted by constitutional provisions and enabling legislation. Unrestricted net assets consist of all other assets. When both restricted and unrestricted resources are available for use, it is the Hospital's policy to use restricted resources first, then unrestricted resources as they are needed.

**Revenues and Expenses**

The Hospital's statements of revenues, expenses, and changes in net assets distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services – the Hospital's principal activity. Nonexchange revenues are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Charity Care**

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

Investing is performed in accordance with investment policies complying with state statutes. Funds may be invested in direct obligations of the United States Government and its agencies pledged by its full faith and credit, certificates of deposit and savings accounts which are secured by FDIC or pledge of securities, and government backed mutual or trust funds.

**Custodial Credit Risk** – Custodial credit risk for deposits is the risk that in the event of a bank failure, the Hospital's deposits may not be returned to it. Louisiana state statutes require that all of the deposits of the Hospital be protected by insurance or collateral. The fair value of the collateral pledged must equal 100% of the deposits not covered by insurance. The Hospital's deposits were entirely insured or entirely collateralized by securities held by the pledging bank's trust department in the Hospital's name at March 31, 2007, 2006, and 2005.

**Interest Rate Risks** – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer an investment takes to mature, the greater the sensitivity of its fair value to changes in market interest rates. The Hospital does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates.

The carrying amounts of deposits and investments are included in the Hospital's balance sheets as follows:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Carrying amount			
Deposits	\$ 423,183	\$ 406,927	\$ 155,370
Investments	<u>4,701,904</u>	<u>3,647,325</u>	<u>1,551,318</u>
	<u>\$ 5,125,087</u>	<u>\$ 4,054,252</u>	<u>\$ 1,706,688</u>
Included in the following balance sheet captions			
Cash and cash equivalents	\$ 1,085,107	\$ 1,055,792	\$ 791,259
Short-term investments	2,688,938	2,998,460	915,429
Noncurrent cash and investments			
Long-term investments	1,205,163	-0-	-0-
Held for debt service	<u>145,879</u>	<u>-0-</u>	<u>-0-</u>
	<u>\$ 5,125,087</u>	<u>\$ 4,054,252</u>	<u>\$ 1,706,688</u>

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**NOTE 4 - ACCOUNTS RECEIVABLE**

A summary of accounts receivable at March 31 is presented below:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Patient accounts receivable	\$ 8,352,386	\$ 6,783,934	\$ 6,898,465
Other accounts receivable	<u>26,380</u>	<u>21,281</u>	<u>6,547</u>
	8,378,766	6,805,215	6,905,012
Estimated uncollectibles	<u>(6,496,000)</u>	<u>(5,498,000)</u>	<u>(4,786,000)</u>
Net patient accounts receivables	\$ <u>1,882,766</u>	\$ <u>1,307,215</u>	\$ <u>2,119,012</u>

The following is a mix of gross receivables from patients and third-party payors at March 31:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Medicare	16%	12%	22%
Medicaid	3%	2%	4%
Commercial and other third-party payors	7%	24%	21%
Patients	<u>74%</u>	<u>62%</u>	<u>53%</u>
	<u>100%</u>	<u>100%</u>	<u>100%</u>

**NOTE 5 - PROPERTY, PLANT, AND EQUIPMENT**

The following is a summary of property, plant, and equipment and related accumulated depreciation at March 31:

	<u>2006</u>	<u>Additions</u>	<u>Dispositions</u>	<u>2007</u>
Land	\$ 26,903	\$ -0-	\$ -0-	\$ 26,903
Land improvements	29,701	738	-0-	30,437
Buildings	3,697,379	42,616	-0-	3,739,995
Furniture and equipment	2,304,508	198,163	5,778	2,496,893
Property held under capital leases	1,046,146	299,204	454,655	890,695
Construction in progress	<u>394,100</u>	<u>513,850</u>	<u>362,462</u>	<u>545,488</u>
Total	7,498,737	1,054,569	822,895	7,730,411
Accumulated depreciation	<u>4,595,667</u>	<u>385,312</u>	<u>458,184</u>	<u>4,522,795</u>
Net	\$ <u>2,903,070</u>	\$ <u>669,257</u>	\$ <u>364,711</u>	\$ <u>3,207,616</u>

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**NOTE 5 - PROPERTY, PLANT, AND EQUIPMENT (Continued)**

The following is a summary of property, plant, and equipment and related accumulated depreciation at March 31:

	<u>2005</u>	<u>Additions</u>	<u>Dispositions</u>	<u>2006</u>
Land	\$ 26,903	\$ -0-	\$ -0-	\$ 26,903
Land improvements	24,067	5,634	-0-	29,701
Buildings	3,676,234	21,145	-0-	3,697,379
Furniture and equipment	2,214,614	116,014	26,120	2,304,508
Property held under capital leases	798,101	248,045	-0-	1,046,146
Construction in progress	<u>15,997</u>	<u>401,168</u>	<u>23,065</u>	<u>394,100</u>
Total	6,755,916	792,006	49,185	7,498,737
Accumulated depreciation	<u>4,312,005</u>	<u>309,782</u>	<u>26,120</u>	<u>4,595,667</u>
Net	\$ <u>2,443,911</u>	\$ <u>482,224</u>	\$ <u>23,065</u>	\$ <u>2,903,070</u>

The following is a summary of property, plant, and equipment and related accumulated depreciation at March 31:

	<u>2004</u>	<u>Additions</u>	<u>Dispositions</u>	<u>2005</u>
Land	\$ 26,903	\$ -0-	\$ -0-	\$ 26,903
Land improvements	24,067	-0-	-0-	24,067
Buildings	3,662,305	13,929	-0-	3,676,234
Furniture and equipment	2,306,706	68,967	161,059	2,214,614
Property held under capital leases	706,064	92,037	-0-	798,101
Construction in progress	<u>-0-</u>	<u>15,997</u>	<u>-0-</u>	<u>15,997</u>
Total	6,726,045	190,930	161,059	6,755,916
Accumulated depreciation	<u>4,111,679</u>	<u>339,756</u>	<u>139,430</u>	<u>4,312,005</u>
Net	\$ <u>2,614,366</u>	\$ <u>(148,826)</u>	\$ <u>21,629</u>	\$ <u>2,443,911</u>

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**NOTE 6 - ASSETS LIMITED AS TO USE**

The following assets are limited as to use as designated below:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
<u>Restricted by third-parties</u>			
State of Louisiana roof grant	\$ 213,579	\$ -0-	\$ -0-
Bond sinking fund	<u>65,124</u>	<u>-0-</u>	<u>-0-</u>
Total assets limited as to use	278,703	-0-	-0-
Less amounts required for current liabilities	<u>(132,824)</u>	<u>-0-</u>	<u>-0-</u>
Total assets limited as to use	\$ <u>145,879</u>	\$ <u>-0-</u>	\$ <u>-0-</u>

**NOTE 7 - COMPENSATED ABSENCES**

Employees of the Hospital are entitled to paid days off and sick days depending on length of service. The Hospital accrued \$170,455, \$166,345, and \$145,301 of vacation pay at March 31, 2007, 2006, and 2005. It is impractical to estimate the amount of compensation for future unvested sick pay and, accordingly, no liability has been recorded in the accompanying financial statements. The Hospital's policy is to recognize the cost of unvested sick pay when actually paid to employees.

**NOTE 8 - LONG-TERM DEBT**

A summary of long-term debt, including capital lease obligations, at March 31, follows:

	March 31, <u>2006</u>	<u>Additions</u>	<u>Payments</u>	March 31, <u>2007</u>	<u>Due Within One Year</u>
Capital lease obligations	\$ <u>620,392</u>	\$ <u>-0-</u>	\$ <u>160,282</u>	\$ <u>460,110</u>	\$ <u>129,634</u>
	March 31, <u>2005</u>	<u>Additions</u>	<u>Payments</u>	March 31, <u>2006</u>	<u>Due Within One Year</u>
Capital lease obligations	\$ <u>216,370</u>	\$ <u>547,249</u>	\$ <u>143,227</u>	\$ <u>620,392</u>	\$ <u>159,442</u>



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**NOTE 8 - LONG-TERM DEBT (Continued)**

	March 31, <u>2004</u>	<u>Additions</u>	<u>Payments</u>	March 31, <u>2005</u>	<u>Due Within One Year</u>
Capital lease obligations	\$ <u>293,529</u>	\$ <u>92,037</u>	\$ <u>169,196</u>	\$ <u>216,370</u>	\$ <u>127,321</u>

The following are the terms and due dates of the Hospital's long-term debt at March 31:

- Various capital lease obligations at interest rates ranging from 5.23% to 12.00%, due in monthly installments through 2011 secured by leased equipment.

Minimum future lease payments under capital leases at March 31, 2007, and for each subsequent year in aggregate are provided below:

Years Ending <u>March 31,</u>	<u>Capital Lease Obligations</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 129,634	\$ 27,115
2009	112,946	19,132
2010	117,592	11,482
2011	<u>99,938</u>	<u>3,424</u>
Total	\$ <u>460,110</u>	\$ <u>61,153</u>

Assets and liabilities under capital leases are recorded at the fair value of the asset. The assets are depreciated over their estimated productive lives. Depreciation of assets under capital leases in the amount of \$158,579 is included in depreciation expense. Net book value of capital leases is \$476,218, \$335,595, and \$211,321 in 2007, 2006, and 2005, respectively.

**NOTE 9 - PATIENT SERVICE REVENUE**

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows.

Medicare - Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Certain outpatient services related to Medicare beneficiaries are paid based on a set fee per diagnosis, with a hold harmless provision for partial cost reimbursement for some of these services until December 31, 2008, if not extended by Congress. The hold harmless payments were \$101,070, \$87,904, and \$73,196 for the years ended March 31, 2007, 2006, and

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**NOTE 9 - PATIENT SERVICE REVENUE (Continued)**

2005, respectively. Swing bed routine services are reimbursed based on a prospectively determined rate per patient day based on clinical, diagnostic, and other factors.

**Medicaid** - Inpatient services are reimbursed based on a prospectively determined per diem rate. Some outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology, while others are paid prospectively based on a fee schedule. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary.

**Commercial** - The Hospital also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. Payment methods under these agreements include prospectively determined rates per discharge, discounts from established charges, and prospectively determined per diem rates.

The following is a summary of the Hospital's net patient service revenues for the years ended March 31:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Gross patient service charges	\$ 13,106,737	\$ 12,921,789	\$ 12,744,962
Contractual allowances	(5,001,197)	(5,084,901)	(4,443,586)
Provision for bad debts	(1,003,660)	(773,804)	(1,210,946)
Uncompensated cost reimbursement	829,107	833,480	766,745
Policy discounts and charity care (Note 13)	<u>(550,650)</u>	<u>(630,973)</u>	<u>(755,533)</u>
Net Patient Service Revenues	\$ <u>7,380,337</u>	\$ <u>7,265,591</u>	\$ <u>7,101,642</u>

The Hospital receives a substantial portion of its revenues from the Medicare and Medicaid programs at discounted rates. The following is a summary of Medicare and Medicaid patient revenues for the years ended March 31:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Medicare and Medicaid gross patient charges	\$ 9,321,869	\$ 9,423,830	\$ 9,286,386
Contractual adjustments	<u>4,402,504</u>	<u>4,162,552</u>	<u>4,166,863</u>
Program Patient Service Revenues without Medicaid UCC	\$ <u>4,919,365</u>	\$ <u>5,261,278</u>	\$ <u>5,119,523</u>
Percent of total gross patient charges	<u>71%</u>	<u>73%</u>	<u>73%</u>
Percent of total net patient revenues	<u>67%</u>	<u>72%</u>	<u>72%</u>

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YEARS ENDED MARCH 31, 2007, 2006, AND 2005

**NOTE 9 - PATIENT SERVICE REVENUE (Continued)**

The Hospital received interim amounts of \$829,107, \$833,480, and \$766,745, for Medicaid and self-pay uncompensated care services (UCC) for the years ended March 31, 2007, 2006, and 2005, respectively, which represents 11%, 11%, and 11% of net patient service revenues, respectively. The interim payments received are based upon uncompensated cost incurred in previous years. Current regulations limit UCC to actual cost incurred by the Hospital in each state fiscal year. Any overpayments will be recouped by Medicaid after audit by Medicaid. The Hospital has made provisions for recoupment of \$361,000 for fiscal 2004. With the exception of 2004, management contends interim amounts paid reasonably estimate final settlement. To the extent management's estimates differ from actual results; the differences will be used to adjust income for the period when differences arise.

The Hospital had significant reliance in the past on Medicare volume adjustments, which occur when acute discharges drop by more than five percent from the previous year. Included in income is \$815,556 and \$807,554, for the years ended March 31, 2006 and 2005, respectively and represents volume adjustments for the years ended March 31, 2004 and 2003, respectively. Because patient volume increased in fiscal years 2005 and 2006, with only a slight decrease in 2007, similar revenue is not expected in fiscal 2008.

**NOTE 10 - PROFESSIONAL LIABILITY RISK**

The Hospital participates in the Louisiana Patient's Compensation Fund ("PCF") established by the State of Louisiana to provide medical professional liability coverage to healthcare providers. The fund provides for \$400,000 in coverage per occurrence above the first \$100,000 per occurrence for which the Hospital is at risk. The fund places no limitation on the number of occurrences covered. In connection with the establishment of the PCF, the State of Louisiana enacted legislation limiting the amount of healthcare provider settlement for professional liability to \$100,000 per occurrence and limited the PCF's exposure to \$400,000 per occurrence.

**NOTE 11 - CONTINGENCIES**

The Hospital evaluates contingencies based upon the best available evidence. The Hospital believes that no allowances for loss contingencies are considered necessary. To the extent that resolution of contingencies results in amounts which vary from the Hospital's estimates, future earnings will be charged or credited.

The principal contingencies are described below:

Governmental Third-Party Reimbursement Programs (Note 9) - The Hospital is contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as the result of their examinations as well as retroactive changes in interpretations applying statutes, regulations and general instructions of those programs. The amount of such adjustments cannot be determined.

Further, in order to continue receiving reimbursement from the Medicare program, the Hospital entered into an agreement with a government agent allowing the agent access to the Hospital's Medicare patient medical records for purposes of making medical necessity and appropriate level of care determinations. The agent

HOSPITAL SERVICE DISTRICT NO. 1  
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HOSPITAL ENTERPRISE FUND  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED MARCH 31, 2007, 2006, AND 2005

**NOTE 11 - CONTINGENCIES (Continued)**

has the ability to deny reimbursement for Medicare patient claims which have already been paid to the Hospital.

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participating requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Hospital is in compliance with fraud and abuse statutes as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

Professional Liability Risk (Note 10) - The Hospital is contingently liable for losses from professional liability not underwritten by the Louisiana Patient's Compensation Fund or the Hospital's insurance carrier.

The Hospital also participates in the Louisiana Hospital Association Self-Insurance Employee Benefits Trust Fund. If the fund's assets are not adequate to cover the claims made against it, the Hospital will be assessed its pro rata share of the resulting deficit. It is not possible to estimate the amount of additional assessments, if any. The Hospital has acquired stop-loss insurance to cover individual claims exceeding \$25,000 or aggregate claims exceeding \$1,000,000 per year.

**NOTE 12 - COMMISSIONERS**

The following commissioners served Citizens Medical Center without compensation during the year ended March 31, 2007:

Ms. Barbara Davis  
Mr. Tom D. Gay  
Ms. Mary Norris  
Mr. E. L. Richard  
Mr. Bob Wallace

**NOTE 13 - CHARITY CARE**

The amount of charges foregone for services and supplies furnished under the Hospital's charity care policy aggregated approximately \$106,038, \$142,138, and \$122,607, in 2007, 2006, and 2005, respectively. The costs related to the charity care charges are \$57,756, \$77,954, and \$69,570, in 2007, 2006, and 2005, respectively.

## SUPPLEMENTARY INFORMATION

HOSPITAL SERVICE DISTRICT NO. 1  
OF THE PARISH OF CALDWELL, STATE OF LOUISIANA  
d/b/a CITIZENS MEDICAL CENTER  
HOSPITAL ENTERPRISE FUND  
SCHEDULES OF NET PATIENT SERVICE REVENUE  
YEARS ENDED MARCH 31, 2007, 2006, AND 2005

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Routine Services:			
Adult and pediatric	\$ 994,291	\$ 1,029,312	\$ 1,155,625
Swing bed	<u>27,600</u>	<u>80,700</u>	<u>247,500</u>
 Total Routine Services	 <u>1,021,891</u>	 <u>1,110,012</u>	 <u>1,403,125</u>
Other Professional Services:			
Operating room			
Inpatient	110,792	132,673	159,332
Outpatient	<u>247,212</u>	<u>279,791</u>	<u>239,316</u>
 Total	 <u>358,004</u>	 <u>412,464</u>	 <u>398,648</u>
Anesthesia			
Inpatient	59,860	63,015	73,235
Outpatient	<u>116,780</u>	<u>134,264</u>	<u>115,135</u>
 Total	 <u>176,640</u>	 <u>197,279</u>	 <u>188,370</u>
Radiology			
Inpatient	495,077	491,739	592,802
Outpatient	<u>1,663,747</u>	<u>1,153,935</u>	<u>1,074,734</u>
 Total	 <u>2,158,824</u>	 <u>1,645,674</u>	 <u>1,667,536</u>
Laboratory			
Inpatient	767,667	746,255	872,580
Outpatient	<u>1,959,994</u>	<u>1,776,867</u>	<u>1,035,632</u>
 Total	 <u>2,727,661</u>	 <u>2,523,122</u>	 <u>1,908,212</u>
IV solutions			
Inpatient	194,979	240,171	321,374
Outpatient	<u>32,669</u>	<u>32,345</u>	<u>28,735</u>
 Total	 \$ <u>227,648</u>	 \$ <u>272,516</u>	 \$ <u>350,109</u>

HOSPITAL SERVICE DISTRICT NO. 1  
OF THE PARISH OF CALDWELL, STATE OF LOUISIANA  
d/b/a CITIZENS MEDICAL CENTER  
HOSPITAL ENTERPRISE FUND  
SCHEDULES OF NET PATIENT SERVICE REVENUE (Continued)  
YEARS ENDED MARCH 31, 2007, 2006, AND 2005

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Respiratory therapy			
Inpatient	\$ 817,944	\$ 699,584	\$ 905,407
Outpatient	<u>112,463</u>	<u>89,805</u>	<u>76,821</u>
Total	<u>930,407</u>	<u>789,389</u>	<u>982,228</u>
EKG			
Inpatient	86,404	85,830	133,964
Outpatient	<u>143,300</u>	<u>144,152</u>	<u>139,181</u>
Total	<u>229,704</u>	<u>229,982</u>	<u>273,145</u>
Central supply			
Inpatient	518,354	617,585	767,017
Outpatient	<u>381,333</u>	<u>400,952</u>	<u>356,002</u>
Total	<u>899,687</u>	<u>1,018,537</u>	<u>1,123,019</u>
Pharmacy			
Inpatient	1,438,760	1,541,566	1,704,750
Outpatient	<u>395,679</u>	<u>401,385</u>	<u>293,614</u>
Total	<u>1,834,439</u>	<u>1,942,951</u>	<u>1,998,364</u>
Emergency room			
Inpatient	156,365	161,847	149,538
Outpatient	<u>1,125,099</u>	<u>1,059,750</u>	<u>964,317</u>
Total	<u>1,281,464</u>	<u>1,221,597</u>	<u>1,113,855</u>
Observation room			
Inpatient	4,109	2,170	1,439
Outpatient	<u>18,208</u>	<u>20,257</u>	<u>14,345</u>
Total	\$ <u>22,317</u>	\$ <u>22,427</u>	\$ <u>15,784</u>

HOSPITAL SERVICE DISTRICT NO. 1  
OF THE PARISH OF CALDWELL, STATE OF LOUISIANA  
d/b/a CITIZENS MEDICAL CENTER  
HOSPITAL ENTERPRISE FUND  
SCHEDULES OF NET PATIENT SERVICE REVENUE (Continued)  
YEARS ENDED MARCH 31, 2007, 2006, AND 2005

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Rural health clinic Outpatient	\$ <u>1,147,346</u>	\$ <u>1,446,384</u>	\$ <u>1,223,164</u>
Hospitalist Inpatient	<u>90,705</u>	<u>89,455</u>	<u>99,403</u>
Total Other Professional Services	<u>12,084,846</u>	<u>11,811,777</u>	<u>11,341,837</u>
Gross Patient Service Charges	<u>13,106,737</u>	<u>12,921,789</u>	<u>12,744,962</u>
Contractual allowances	5,001,197	5,084,901	4,443,586
Provision for bad debts	1,003,660	773,804	1,210,946
Uncompensated cost reimbursement	(829,107)	(833,480)	(766,745)
Policy discounts and charity care	<u>550,650</u>	<u>630,973</u>	<u>755,533</u>
Total Allowances and Uncollectibles	<u>5,726,400</u>	<u>5,658,198</u>	<u>5,643,320</u>
Net Patient Service Revenue	\$ <u>7,380,337</u>	\$ <u>7,265,591</u>	\$ <u>7,101,642</u>



HOSPITAL SERVICE DISTRICT NO 1  
 OF THE PARISH OF CALDWELL, STATE OF LOUISIANA  
 d/b/a CITIZENS MEDICAL CENTER  
 HOSPITAL ENTERPRISE FUND  
 SCHEDULES OF OTHER OPERATING REVENUE  
 YEARS ENDED MARCH 31, 2007, 2006, AND 2005

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Cafeteria sales	\$ 33,965	\$ 36,146	\$ 41,149
Physician office rentals	28,626	22,266	16,966
Medical records abstract fees	3,098	5,624	4,458
Dues rebate	-0-	61,153	53,611
Miscellaneous	<u>5,707</u>	<u>15,913</u>	<u>5,991</u>
 Total Other Operating Revenue	 \$ <u>71,396</u>	 \$ <u>141,102</u>	 \$ <u>122,175</u>

HOSPITAL SERVICE DISTRICT NO. 1  
OF THE PARISH OF CALDWELL, STATE OF LOUISIANA  
d/b/a CITIZENS MEDICAL CENTER  
HOSPITAL ENTERPRISE FUND  
SCHEDULES OF OPERATING EXPENSES – SALARIES AND BENEFITS  
YEARS ENDED MARCH 31, 2007, 2006, AND 2005

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Administrative and general	\$ 354,150	\$ 359,246	\$ 370,072
Plant operations and maintenance	75,489	69,049	50,951
Housekeeping	107,875	98,153	99,376
Dietary and cafeteria	104,807	102,604	117,254
Central supply	32,784	33,145	48,176
Pharmacy	139,672	147,043	154,648
Medical records	79,611	90,284	91,317
Nursing services	987,335	955,671	942,221
Operating room	123,702	126,062	108,402
Anesthesiology	2,400	2,400	2,400
Radiology	210,369	218,782	189,700
Laboratory	288,044	244,422	192,209
Respiratory care	117,642	117,715	120,850
Emergency room	192,685	205,107	243,599
Rural health clinic	<u>507,034</u>	<u>482,706</u>	<u>476,755</u>
 Total Salaries	 <u>3,323,599</u>	 <u>3,252,389</u>	 <u>3,207,930</u>
 Payroll taxes	 236,734	 239,366	 220,771
Health insurance	196,864	243,837	442,455
Other	<u>9,174</u>	<u>1,942</u>	<u>17,878</u>
 Total Benefits	 <u>442,772</u>	 <u>485,145</u>	 <u>681,104</u>
 Total Salaries and Benefits	 \$ <u>3,766,371</u>	 \$ <u>3,737,534</u>	 \$ <u>3,889,034</u>

HOSPITAL SERVICE DISTRICT NO. 1  
OF THE PARISH OF CALDWELL, STATE OF LOUISIANA  
d/b/a CITIZENS MEDICAL CENTER  
HOSPITAL ENTERPRISE FUND  
SCHEDULES OF OPERATING EXPENSES – PROFESSIONAL FEES  
YEARS ENDED MARCH 31, 2007, 2006, AND 2005

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Nursing service	\$ -0-	\$ 150	\$ 10,607
Anesthesiology	136,420	154,525	138,790
Radiology	47,113	26,658	54,767
Laboratory	90,766	100,608	90,709
Physical therapy	-0-	435	1,958
EKG	16,155	15,644	16,756
Emergency room	<u>735,811</u>	<u>747,564</u>	<u>741,396</u>
 Total Professional Fees	 \$ <u>1,026,265</u>	 \$ <u>1,045,584</u>	 \$ <u>1,054,983</u>

HOSPITAL SERVICE DISTRICT NO. 1  
OF THE PARISH OF CALDWELL, STATE OF LOUISIANA  
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HOSPITAL ENTERPRISE FUND  
SCHEDULES OF OPERATING EXPENSES – OTHER EXPENSES  
YEARS ENDED MARCH 31, 2007, 2006, AND 2005

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Miscellaneous service fees	\$ 107,823	\$ 131,983	\$ 168,847
Legal and accounting	47,369	49,129	61,602
Supplies	221,652	219,386	224,906
Repairs and maintenance	112,959	91,265	63,898
Utilities	157,881	161,257	137,443
Telephone	53,701	42,508	29,259
Travel	7,800	11,661	26,391
Rentals	53,197	98,995	39,261
Education	7,859	6,620	11,044
Dues and subscriptions	72,238	54,860	67,412
Recruitment and advertising	16,942	9,796	14,910
Miscellaneous	<u>28,995</u>	<u>42,569</u>	<u>28,462</u>
 Total Other Expenses	 \$ <u>888,416</u>	 \$ <u>920,029</u>	 \$ <u>873,435</u>



## **LESTER, MILLER & WELLS**

A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

3600 Bayou Rapides Rd. • Alexandria, LA 71303

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Mailing Address: Post Office Box 8758 • Alexandria, Louisiana 71306-1758 • Telephone (318) 487-1450 • Facsimile (318) 445-1184

### **REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Commissioners  
Hospital Service District No. 1  
Parish of Caldwell, State of Louisiana  
Columbia, Louisiana

We have audited the financial statements of Hospital Service District No. 1, Parish of Caldwell, a component unit of the Caldwell Parish Police Jury, ("the Hospital") as of and for the years ended March 31, 2007, 2006, and 2005 and have issued our report thereon dated September 19, 2007. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Hospital's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that

Board of Commissioners  
Hospital Service District No. 1  
Parish of Caldwell, State of Louisiana  
Columbia, Louisiana  
Page Two

a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We identified four deficiencies in internal control over financial reporting that we consider to be a material weakness, as defined above.

This report is intended solely for the information of the Board of Commissioners, management, and the office of the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Lester, Miller & Wells*

Certified Public Accountants  
September 19, 2007



CITIZENS MEDICAL CENTER  
AUDITORS' COMMENTS AND RECOMMENDATIONS  
YEAR ENDED MARCH 31, 2007

**Internal Controls**

**2007-1**

**Finding:** During our audit we found the estimates for the contractual allowances required adjustments that are material to the financial statements.

**Recommendation:** We recommend adjusting the allowances on a monthly basis using a template with the actual payments received during the year to provide management a more accurate estimate to be recorded in the interim financial statements.

**Management's response:** Management will use the template suggested and continue to adjust the contractual allowance accounts monthly as needed.

**Resolution:** This matter has been resolved.

**2007-2**

**Finding:** In the past, the auditors were able to draft the financial statements with management accepting responsibility. Effective for financial statements ending on or after December 15, 2006, Statements on Auditing Standards 112 more definitively requires management ensure the propriety and completeness of the financial statements and related footnotes. The staff responsible for preparation of the financial statements and related footnote disclosures in accordance with generally accepted accounting principles (GAAP) lacks the knowledge and/or resources necessary to internally complete the reporting requirements.

**Recommendation:** Management should either: (a) obtain the knowledge and/or resources necessary to internally prepare or review the auditor's preparation of the Hospital's basic financial statements and related footnote disclosures in accordance with GAAP, or (b) determine if the cost of "a" overrides the benefit of correcting this control deficiency.

**Management's response:** Management has considered the recommendation and concluded that the implementation cost is greater than the benefit derived from correcting the control deficiency.

**Resolution:** This matter has not been resolved.

**2007-3**

**Finding:** During our audit we found adjustments of accounts were needed. The UCC deferred revenue account was adjusted to the remaining UCC to be received after year end and the accrual for health insurance was adjusted to better reflect the actual liability.

**Recommendation:** We recommend scanning the general ledger at month end and adjusting accounts for activity occurring during the month and any needed corrections.

**Management's response:** Management will adjust general ledger accounts as needed.

**Resolution:** This matter has been resolved.

CITIZENS MEDICAL CENTER  
AUDITORS' COMMENTS AND RECOMMENDATIONS  
YEAR ENDED MARCH 31, 2007

**Internal Controls (Continued):**

**2007-4**

**Finding:** Due to a limited number of available employees, there is not a complete segregation of duties in all accounting, recording, and custody functions

**Recommendation:** We recommend that duties be segregated to the extent possible to prevent both intentional and unintentional errors. Segregation includes 1) separating transaction authorization from custody of related asset; 2) separating transaction recording from general ledger posting and maintenance; 3) separating operations responsibility from record-keeping. Where these segregations are not possible, we recommend close supervision and review.

**Management's response:** Management will continue to segregate duties as much as possible and will closely supervise and review duties to prevent errors.

**Resolution:** This matter has not been resolved.



CITIZENS MEDICAL CENTER  
AUDITORS' COMMENTS AND RECOMMENDATIONS  
YEAR ENDED MARCH 31, 2007

**Internal Controls**

**2006-1**

**Finding:** We found subsidiary ledgers with incomplete data at March 31, 2006. These ledgers were also unreconciled with the general ledger. If the subsidiary schedules are updated and reconciled in a timely fashion, posting errors will be recognized and corrected during the fiscal year. This will increase the completeness and accuracy of the interim financial statements.

**Recommendation:** We recommend timely posting of invoices and other data to the appropriate subsidiary ledgers either at the same time purchases, etc. are posted to the general ledger or on a monthly basis. Monthly reconciliations should be prepared for all subsidiary ledgers to ensure complete and accurate information.

**Management's response:** Management is aware of the problem and will attempt to reconcile subsidiary ledgers on a monthly basis.

**Resolution:** This matter has not been resolved.

**2006-2**

**Finding:** During the audit we found unrecorded UCC revenue of \$833,480. This revenue was posted to a liability account but was not recognized on a monthly basis. The interim net income was understated and the liability was overstated for each month.

**Recommendation:** We recommend posting recurring entries to recognize income during the year.

**Management's response:** Management will post entries monthly.

**Resolution:** This matter has been resolved.

CITIZENS MEDICAL CENTER  
AUDITORS' COMMENTS AND RECOMMENDATIONS  
YEAR ENDED MARCH 31, 2007

**Internal Controls**

**2005-1**

**Finding:** At March 31, 2005, the Hospital had approximately \$2.8 million unbilled accounts, of which \$1.3 million were greater than 60 days old. As accounts receivable ages the likelihood of collection diminishes. Additionally, the growth of accounts receivable decreases cash inflows.

**Recommendation:** We recommend investigating the delay in billing of claims with medical records, business office, and physicians to determine the cause and to implement an appropriate solution.

**Management's response:** Since year end the number of unfilled claims has decreased. Management is aware of the problem and has discussed the issue with all parties responsible for the filing of claims.

**Resolution:** This matter has not been resolved.